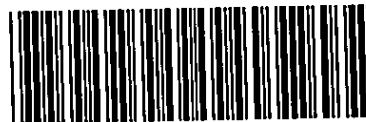


Registered Number 3802593

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Annual report and financial statements
for the year ended 31 March 2010

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Pharmacy2U Limited

(formerly Pharmacy 2U Limited)

Annual report and financial statements for the year ended 31 March 2010

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Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Directors and advisers for the year ended 31 March 2010

Directors

K McCullagh	(Non-executive Chairman)
D Lee	(Managing Director)
J Harrison	(Commercial Director)
S Riddell	(Non-executive)
B Haigh	(Non-executive)
G Brand	(Non-executive)
M Glatman	(Non-executive)

Company secretary

S Joyce

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
LEEDS
LS1 4JP

Solicitors

Pinsent Masons
1 Park Row
LEEDS
LS1 5AB

Registered Office

1 Hawthorn Park
Coal Road
LEEDS
LS14 1PQ

Registered Number

3802593

Pharmacy2U Limited

(formerly Pharmacy 2U Limited)

Directors' report for the year ended 31 March 2010

The directors present their report together with the audited financial statements of the company for the year ended 31 March 2010

Business review and principal activities

Pharmacy2U was the UK's first internet pharmacy, established in 1999. It is now the country's largest dedicated internet and mail order pharmacy, serving the growing number of people who are unable or unwilling to visit high street pharmacies. It allows prescriptions, over the counter medicines and personal care products to be delivered direct to your doorstep without having to leave the comfort of your own home.

The results for the company show a pre-tax profit of £850,000 (2009 £682,000) for the year and sales of £19,521,000 (2009 £15,062,000). At 31 March 2010, the company has net assets of £2,316,000 (2009 £1,686,000).

Pharmacy2U's key revenue streams are from the dispensing of NHS & Private Prescriptions and the sale of Medicines and health and beauty products online. The year under review saw double-digit percentage turnover growth in all three business segments, though gross margins in the prescription businesses remain under pressure as manufacturers continue to introduce 'Reduced Wholesale' schemes which offer lower discounts than had previously been available to pharmacies in the UK. New systems and operating practices have resulted in overheads reducing as a proportion of turnover.

The company changed its name from Pharmacy 2U Ltd to Pharmacy2U Ltd on 11 March 2010.

Future outlook

We are hopeful that the national roll-out of EPS will commence during 2010-11. The company anticipates that it will gain the necessary accreditation for its pharmacy systems before the end of 2010, providing a strong opportunity to increase growth of the NHS Prescription business.

The company's Private Prescription business remains strong in the face of increasing competition. We remain confident that we can strengthen our current level of performance through the provision of outsourced services to third party clients.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are primarily considered to relate to competition from national and internet retailers and to the difficult economic environment in which we are currently operating. Additionally, the recent change in Government and their stated aim to reduce the country's deficit provides a higher level of uncertainty as to future re-imbursement levels for NHS prescriptions.

Financial risk management

Exposure to credit, interest rate and currency risk arises in the normal course of the company's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Key performance indicators ("KPIs")

In our opinion, the Pharmacy2U business has thrived due to focus on providing a first-class customer experience. We maintain and monitor a full range of operational KPI's and take regular feedback from our customers.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Directors' report for the year ended 31 March 2010 (continued)

Directors

The directors who held office during the year and up to the date of signing the financial statements are given below

K McCullagh
D Lee
J Harrison
S Riddell
B Haigh
G Brand
M Glatman

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information, and to establish that the auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



S Joyce
Company secretary
13 August 2010

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Independent auditors' report to the members of Pharmacy2U Limited

We have audited the financial statements of Pharmacy2U Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
13 August 2010

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Profit and loss account for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Turnover	1	19,521	15,062
Cost of sales		(14,320)	(10,585)
Gross profit		5,201	4,477
Distribution expenses		(2,755)	(2,551)
Administration expenses		(1,602)	(1,224)
Profit on ordinary activities before interest and taxation	2	844	702
Net interest receivable / (payable)	5	6	(20)
Profit on ordinary activities before taxation		850	682
Tax on profit on ordinary activities		(232)	-
Deferred tax credit in respect of carried forward trading losses		-	864
Total tax (charge)/credit on profit on ordinary activities	6	(232)	864
Profit for the financial year	15	618	1,546

All items dealt with in arriving at profit on ordinary activities before interest and taxation above relate to continuing operations

The company has no recognised material gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

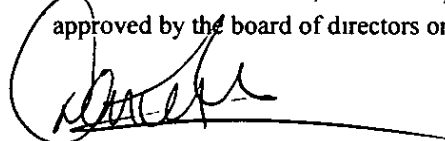
There are no material differences between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Balance sheet as at 31 March 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	7	454	365
Current assets			
Stock	8	667	590
Debtors	9	2,468	1,959
Cash at bank and in hand		1,104	781
Deferred tax asset	10	653	883
		4,892	4,213
Creditors: amounts falling due within one year	11	(3,030)	(2,888)
Net current assets		1,862	1,325
Total assets less current liabilities		2,316	1,690
Creditors: amounts falling due after more than one year	12	-	(4)
Net assets		2,316	1,686
Capital and reserves			
Called up share capital	14	628	628
Share premium account	15	3,787	3,787
Profit and loss account	15	(2,099)	(2,729)
Total shareholders' funds	16	2,316	1,686

The financial statements, which comprise the profit and loss account, the balance sheet and related notes, were approved by the board of directors on 13 August 2010 and were signed on its behalf by



D Lee
Director
Pharmacy2U Limited, registered number 3802593

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Cash flow statement for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Net cash inflow/(outflow) from operating activities	19	584	853
Servicing of finance			
Interest element of finance lease payments		(2)	(5)
Interest received		8	6
Interest paid		-	(21)
Net cash inflow/(outflow) from servicing of finance		6	(20)
Taxation: UK corporation tax paid		(1)	-
Capital expenditure			
Payments to acquire tangible fixed assets		(221)	(88)
Net cash inflow from capital expenditure		(221)	(88)
Financing			
Payment of finance lease liabilities		(45)	(40)
Net cash from financing activities		(45)	(40)
Net increase/(decrease) in cash and cash equivalents		323	705
Opening cash and cash equivalents		781	76
Closing cash and cash equivalents		1,104	781

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Statement of accounting policies for the year ended 31 March 2010

Basis of accounting

The financial statements have been prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below. These have been consistently applied through the period and preceding period.

Share based payments

The Company issues share options to certain employees which are measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in the profit and loss reserve.

The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The fair values of these payments are measured at the dates of grant and are recognised over the period during which employees become unconditionally entitled to the awards.

At each balance sheet date, the company revises its estimates of the number of options that are expected to vest and the Company recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to the profit and loss account reserve.

Turnover

Turnover is the invoiced value of goods and services supplied during the year, excluding value added tax. Turnover is recognised at the point of goods being despatched.

Tangible fixed assets

Tangible fixed assets are stated at their historic purchase price, together with any incidental expenses of acquisition, less accumulated depreciation. Provision for depreciation is made so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used are as follows:

Plant and machinery	10 – 33 33%
Fixtures & fittings	20%

Stocks

Stocks are stated at the lower of cost and net realisable value.

Pension costs

The costs of providing retirement pensions and related benefits are charged to the profit and loss account as incurred.

Website development costs

Specific projects to replace large sections of the website are capitalised as plant and machinery. Where development costs are incurred to continually improve and enhance the website, these are charged to the profit and loss account in the period which they are incurred.

Finance and operating leases

Where assets are financed by hire purchase agreements which transfer to the company substantially all the benefits and risks of ownership of an asset, the assets are treated as if they had been purchased outright. The amount capitalised is the fair value of the asset. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between capital and interest elements using the annuity method. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of the lease terms and the useful lives of equivalent owned assets.

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Statement of accounting policies for the year ended 31 March 2010
(continued)

Deferred taxation

In accordance with FRS19, deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when the differences reverse based on current tax rates and laws. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010

1 Turnover

Turnover consists entirely of sales originating and derived from the United Kingdom. The directors consider that they have only one class of business.

2 Operating profit

	2010 £'000	2009 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets		
- owned assets	111	98
- leased assets	23	23
Operating lease rentals - property	109	109
Website development costs	22	61
Share option expense	12	13
Services provided by the company's auditor		
Fees payable for the audit	12	10

3 Employee information

	2010 £'000	2009 £'000
Wages and salaries	1,410	1,278
Social security costs	139	123
Other pension costs (note 20)	49	47
	1,598	1,448

The average number of persons (including executive directors) employed by the company during the year was

	2010	2009
Selling and distribution	35	43
Administration	12	6
	47	49

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

4 Directors' emoluments

	2010	2009
	£'000	£'000
Aggregate emoluments	363	364
Company contributions to money purchase pension schemes	27	24
	390	388
<hr/>		
Highest paid director	2010	2009
	£'000	£'000
Aggregate emoluments	177	182
Company contributions to money purchase pension schemes	14	12
	191	194

Retirement benefits are accruing to 2 (2009: 2) directors under a defined contribution scheme

5 Interest

	2010	2009
	£'000	£'000
Interest payable on overdrafts and bank loans	-	21
Interest payable on finance leases	2	5
Interest payable and similar charges	2	26
Interest receivable and similar income	(8)	(6)
Net interest (receivable) / payable	(6)	20

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

6 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax on profits for the period	(2)	(1)
Adjustment in respect of previous periods	-	-
Total current tax	(2)	(1)
Deferred tax		
Origination and reversal of timing differences	(15)	1
Recognition of carried forward trading losses	(215)	864
Adjustment in respect of previous periods	-	-
Total deferred tax (note 10)	(230)	865
Total tax (charge)/credit on profit on ordinary activities	(232)	864

The current year tax charge is lower (2009 lower) than the standard rate of corporation tax in the UK (28%)
The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	850	682
Profit on ordinary activities multiplied by standard rate in the UK of 28% (2009 28%)	238	191
Accelerated capital allowances and other timing differences	(15)	1
Expenses not deductible	3	1
Adjustments in respect of prior periods	-	-
Utilisation of carried forward trading losses	(215)	(185)
Relief for research and development expenditure	(9)	(7)
Total current tax	2	1

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

7 Tangible assets

	Plant and machinery	Fixtures & fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2009	512	222	734
Additions	164	59	223
Disposals	(14)	(4)	(18)
At 31 March 2010	662	277	939
Accumulated depreciation			
At 1 April 2009	225	144	369
Charge for the year	90	44	134
Disposals	(14)	(4)	(18)
At 31 March 2010	301	184	485
Net book amount			
At 31 March 2010	361	93	454
At 31 March 2009	287	78	365

The net book value of tangible fixed assets includes an amount of £119,000 (2009 £142,000) in respect of assets held under finance leases. Depreciation charged on these assets during the year was £23,000 (2009 £23,000)

8 Stock

	2010	2009
	£'000	£'000
Goods for resale	667	590

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

9 Debtors

	2010	2009
	£'000	£'000
Trade debtors	1,240	875
Other debtors	129	115
Prepayments and accrued income	1,099	969
	2,468	1,959

10 Deferred tax asset

The movement on deferred taxation during the year was

	2010	2009
	£'000	£'000
At 1 April	883	18
Charged to the profit and loss account	(230)	865
At 31 March	653	883

The amounts of deferred tax provided are as follows

	2010	2009
	£'000	£'000
Accelerated capital allowances and other timing differences	4	19
Carried forward trading losses	649	864
Total deferred tax asset	653	883

The company has unutilised trading losses amounting to approximately £2,319,000 (2009 £3,086,000), which are available for relief against future profits. These losses have been recognised on the basis that trading profits are expected to be generated in the foreseeable future against which these losses may be utilised in full.

Deferred tax balances have been measured at the tax rate of 28%, being the current standard rate of corporation tax in the UK.

The company has no unprovided deferred tax.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

10 Deferred tax asset (continued)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance Act (No 2) 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes to be enacted in the Finance Act (No 2) 2010 would be to reduce the deferred tax asset recognised at 31 March 2010 and profit by £17,000. This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 28 per cent to 27 per cent with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1% per year to 24% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 27% to 24%, if these applied to the deferred tax balance at 31 March 2010, would be to reduce the deferred tax asset by £61,000.

11 Creditors – amounts falling due within one year

	2010	2009
	£'000	£'000
Trade creditors	2,742	2,155
Finance leases	4	43
Corporation tax	2	1
Taxation and social security	60	32
Other creditors	92	457
Accruals and deferred income	130	200
	3,030	2,888

12 Creditors – amounts falling due after more than one year

	2010	2009
	£'000	£'000
Finance leases	-	4

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

13 Finance leases

Future minimum payments under finance leases are as follows

	2010 £'000	2009 £'000
Within one year	4	45
In more than one but not more than five years	-	4
Total gross payments	4	49
Less finance charges included above	-	(2)
	4	47

14 Called up share capital

	2010 £'000	2009 £'000
Authorised		
44,939,733 (2009 44,939,733) ordinary shares of 10p each	4,494	4,494
5,060,267 (2009 5,060,267) preferred ordinary shares of 10p each	506	506
	5,000	5,000
Allotted and fully paid		
1,671,695 (2009 1,671,695) ordinary shares of 10p each	167	167
4,613,429 (2009 4,613,429) preferred ordinary shares of 10p each	461	461
	628	628

Preferred ordinary shares have preferential rights to the assets of the company in the event of the company being wound up. In all other respects the preferred ordinary shares rank pari passu with the ordinary shares.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

15 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 April 2009	3,787	(2,729)
Retained profit for the financial year	-	618
Adjustment in respect of employee share schemes	-	12
At 31 March 2010	3,787	(2,099)

16 Reconciliation of movements in shareholders' funds

	2010 £'000	2009 £'000
Profit for the financial year	618	1,546
Adjustment in respect of employee share schemes	12	13
Net addition to shareholders' funds	630	1,559
Opening Shareholders' funds	1,686	127
Closing Shareholders' funds	2,316	1,686

17 Operating lease commitments

At 31 March 2010, the company had lease agreements in respect of property for which the payments extend over a number of years

	2010 £'000	2009 £'000
Annual commitments under non-cancellable operating leases expiring after 5 years	109	109

The above commitments relate to the lease of the office and distribution premises occupied by the company. This agreement contains a clause which allows the company to terminate the agreement in 2013.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

18 Share Based Payments

The company operates an employee share option scheme. Under FRS 20 Share Based Payments, an expense is recognised in the profit and loss account for all equity settled share options granted after 7 November 2002 that had not vested before 1 January 2005.

The company has recorded an FRS 20 charge of £12,000 for the year ended 31 March 2010 (2009: £13,000). The fair value of options and significant assumptions used in the calculation of the FRS 20 charge were as follows:

Grant date	2003	2004	2005	2007
Share price at date of grant (£)	£0.41	£0.41	£1.68	£2.00
Exercise price (£)	£0.41	£0.41	£1.68	£2.00
Number of participating employees	5	6	1	1
Shares under option ('000)	111,000	155,000	13,300	50,000
Vesting period (years)	10	10	10	10
Expected volatility	25.0%	23.6%	17.9%	22.9%
Option life (years)	10	10	10	10
Expected life (years)	7	7	7	7
Risk free rate	4.00%	4.00%	4.75%	5.25%
Expected dividend yield	Nil	Nil	Nil	Nil
Fair value per option (£)	£0.15	£0.15	£0.57	£0.78
Valuation model	Black scholes	Black scholes	Black scholes	Black scholes

The expected volatility is based on the average historical volatility of certain listed companies that the Directors consider to operate in a comparable area to the company. The expected life is the average expected period to exercise. The risk free rate of return is the Bank of England base rate at the time the option was issued.

Options are exercisable at prices ranging between £0.41 and £2.00. The contractual life of options is generally 10 years. Exercise of all options is subject to floatation or trade sale of the company.

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

18 Share Based Payments (continued)

The FRS20 charge excludes options granted prior to 7 November 2002. Details of these options are as follows

Grant date	2001	2002
Exercise price (£)	£1.80	£0.80
Number of participating employees	5	5
Shares under option ('000)	72,194	68,000
Vesting period (years)	10	10
Option life (years)	10	10

A reconciliation of option movements over the year to 31 March 2010 is shown below

	2010		2009	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	'000	£	'000	£
At 31 March	520	£0.87	520	£0.87
Forfeited	(51)	£0.75	-	-
Outstanding at 31 March	469	£0.89	520	£0.87
Exercisable at 31 March	-	-	-	-

Pharmacy2U Limited
(formerly Pharmacy 2U Limited)

Notes to the financial statements for the year ended 31 March 2010
(continued)

19 Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£'000	£'000
Operating profit	844	702
Depreciation	134	121
Increase in stocks	(77)	(248)
Increase in trade and other receivables	(509)	(753)
Increase in trade and other payables	180	1,018
Share based payments	12	13
Net cash inflow	584	853

20 Related party transactions

On 3 May 2005, the company moved into premises owned by Scottish Equitable Plc as Trustee of The Scottish Equitable Self-Administered Personal Pension Scheme, the beneficiaries of which are D Lee and J Harrison, both of whom are directors of the company

The lease was negotiated at arm's length and is on normal commercial terms. The initial term of the lease is 15 years, with rent reviews every five years. The annual rent is £109,000. There were no balances due at 31 March 2010.

21 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £49,000 (2009: £47,000). £3,000 (2009: £3,000) was owed to the fund at the year end.